August 3, 1987
JCX-10-87

EXTENSION OF AIRPORT AND AIRWAY EXCISE TAXES AND TRUST FUND

(For Markup by the Committee on Ways and Means
on August 3, 1987)

1. Extension of excise taxes and Trust Fund expenditures

Present Law

Excise taxes are imposed on domestic air passenger tickets (8 percent), domestic air cargo waybills (5 percent), international passenger departures ($3.00), and fuels for noncommercial aviation (12 cents per gallon on gasoline and 14 cents per gallon on other fuels).

Revenues from these taxes are deposited in the Airport and Airway Trust Fund to fund certain Federal airport and airway programs.

The aviation excise taxes are scheduled to expire after December 31, 1987. Authority to spend from the Airport and Airway Trust Fund is scheduled to expire after September 30, 1987.

Administration Proposal

The President's Fiscal Year 1988 Budget proposes to extend the aviation excise taxes and Airport and Airway Trust Fund expenditure authorizations for two years.

Possible Option

Extend the current aviation excise taxes for five years, through December 31, 1992. Similarly, extend dedication of revenues from the taxes and authority to spend from the Airport and Airway Trust Fund for five years, and update expenditure purposes of the Trust Fund to include purposes authorized under provisions of companion authorizing legislation.

J862-30
H782-35

(H.R. 2310, as reported by the Committee on Public Works and Transportation and the Committee on Science, Space, and Technology, would extend Trust Fund authorizations for five years, fiscal years 1988-1992. Trust Fund authorizations under H.R. 2310 total $5.0 billion for fiscal year 1988, $5.5 billion for fiscal year 1989, $6.2 billion for fiscal year 1990, and $6.0 billion each for fiscal years 1991 and 1992. The Trust Fund unobligated balance under H.R. 2310 authorization levels and extension of present-law aviation taxes is projected to decline from $5.6 billion at the end of fiscal year 1987 to $1.3 billion at the end of fiscal year 1992.)

2. Reduction in tax rates if Trust Fund appropriations fall below specified levels

Present Law

Present law includes no provision for reductions in tax rates before their scheduled expiration date if Trust Fund authorizations are not appropriated and spent.

Administration Proposal

The President's Fiscal Year 1988 Budget does not include any provision for automatically reducing aviation excise tax rates if Trust Fund authorizations are not appropriated and spent.

Possible Option

The Committee on Public Works and Transportation has requested the Committee to include a provision automatically reducing the air passenger ticket, cargo, and fuels taxes if Trust Fund appropriations for airport improvements, airway facilities and equipment, and research, engineering, and development for the fiscal year total less than 90 percent of authorized levels. The reduction would occur only if the Trust Fund unobligated balance at the end of the fiscal year is $2 billion or more, and would be equal to the percentage of the funding shortfall, but in no event would it exceed 25 percent.